



EnCana Reveals \$5B Oilsands Expansion

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EnCana Sets 500,000 bbl/d Expansion Target

EnCana announced plans early November to increase its oilsands production from 42,000 bbl/d to 500,000 bbl/d over the 10 years. To reach this target EnCana estimates that it will have to spend \$5B on initial development and \$7.5B of sustaining funds over the life of the project. Advances in thermal extraction technologies and high world oil prices have aided in the accelerated oilsands development.

EnCana is the largest owner of Canadian oilsands lands with control of 1.2 million acres. According to EnCana's chief operating officer Randy Eresman, the "lands contain an estimated 40 billion barrels of oil in place. They rank among the very highest quality with estimated recoverable resources of between 5 billion and 10 billion barrels."

Major multinationals, integrated producers and national oil companies have expressed to EnCana an interest in participating with them in oilsands development. To reduce risk in costly oilsands development, EnCana revealed it is currently looking into potential partnership arrangements.

Canada's Oilsands

Capital spending in Alberta's oilsands reached \$6.2 billion in 2004, and in 2005 it is expected to reach \$11 billion. Industry analysts are calling for dramatic growth in the oilsands as the decline in conventional oil and gas projects continues. Alberta Energy officials predict capital spending between 2005 and 2020 to reach well over \$100 billion.

The U.S. is by far Canada's largest customer when it comes to export of crude oil and refined products. Over the next 20 years, U.S. demand is forecast to rise significantly, requiring increased oil imports. Currently the oilsands are producing over 1,000,000 barrels per day (bpd) and with the existing level of investment the flow should reach 3.3 million bpd by 2015.

Specialists suggest that sectoral demand for equipment and services will see a steady increase in real terms of about 4% annually through 2006. This growth will meet the demand offered by the many major projects proposed over the next 15 years.

Opportunity for U.S. Manufacturers

Opportunities abound in Canada's oilsands sector. With major projects through 2020 valued at over \$100 billion, U.S. companies should approach project managers and engineers during the early stages of specification. U.S. companies supply over 90% of the import market for oil and gas equipment and services. Most is large machinery and equipment purchases by major oil and gas producers.

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(drafted A. Willness W. Balla)

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